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Rapid transit must not be regarded too exclusively as a source of municipal revenue. The function of spreading population is of coördinate importance with any of those now performed by the administrative agencies of cities. Should street railways ever be owned or directly controlled by the public, cheapness and efficiency of service should be considered as of more moment than the obtaining of municipal revenue.

STATISTICS AS A MEANS OF CORRECTING CORPORATE
ABUSES.

BY PROF. HENRY C. ADAMS OF THE UNIVERSITY OF MICHIGAN.

Federal and State governments are accustomed to require from corporations comprehensive reports. Originally the purpose in requiring these reports was to correct some definite corporate abuse, and it is quite likely that at the present time many of those who defend the right of the government to make demands of this sort on corporations would urge that this was the only end held in view. One cannot, however, consider this policy without being led to inquire respecting its possible development in the future. There is much to be said in favor of bringing all corporations under the control of government so far as reports are concerned, and of subjecting all businesses, which from their nature should be incorporated, to the inspection of government officials. The tendency towards the increasing publicity of corporate management is a healthful tendency, and one that should meet the approval of all who fear the

tyranny of irresponsible corporations on the one hand, and the tyranny of any government imposed with extended industrial functions, that can be established in the United States, on the other.

In following out the above line of thought, the paper, of which this is an abstract, was led to make an analysis between a corporation, and a partnership, as means of business organization. It was found that these two forms of organization differed in three particulars.

In the first place, debts incurred by a corporation in the course of its business career do not run against the property of the individual incorporators, and on this account, risks are taken by the management of corporations which few individuals would care to assume, if their entire property were thereby placed in jeopardy. It is to this fact that much of the recklessness in speculation may be traced. The most serious criticism on modern society is its instability, and it is certainly reasonable, if members of corporations are granted the extraordinary privilege of being partially relieved of liabilities incurred, that corporate management should be subject to special supervision.

In the second place, the corporation differs from the partnership in that its control over capital is practically unlimited. This is due to the fact that the process by which a corporation accumulates capital is a process which results in the creation of a new species of property. On this account, when a corporation comes into competition with a business organized as a private company it has a relative advantage.

It seems proper therefore, in order to secure to individuals and partnerships an opportunity for nor-

mal development, and in order to provide for safety in investments, that the oversight of the government should be brought to bear upon corporations, and this it can do by insisting upon reports, and providing for such inspection as will guarantee the accuracy of those reports.

There is yet another difference between these two forms of business organization. A corporation is a legal personality, while behind a partnership there is always to be found a real person. It is not so much this fact that should fill us with alarm, as the fact that this legal personality lays claim to privileges which were originally intended for individuals alone. Not only has the industrial power of our day, generated by the organization of labor and the extensive use of machinery, fallen under the control of corporations, but these corporations assert for themselves all the rights conferred on individuals by the law of private property, and apply to themselves a social philosophy true only of a society composed of individuals who are industrial competitors. Where individuals are in fact competitors, society has something of a guarantee that public interests will be conserved. When industries are small and markets are local, when men use tools, and commercial dealings are with one's neighbors and friends, there is reason in the claim that indifference to the public good on the part of any business man will result in his downfall. But it is equally true that in the presence of great industries, where markets are world-wide, when industries are based on machinery rather than on personal skill, and when managers merge their personality into the personality of a great corporation, indifference to the interests of the public comes to

be a factor requisite for existence and essential to growth. If this be true,—and that it is true, both history and analysis will testify,—it follows that, while corporations remain a factor, and while corporate aggrandizement remains a force, in industrial society, the government, which is the corporation from which all other corporations take their life, must exercise a directing control in all matters that affect the public. It is an evil beyond estimate, that the force of self-interest, which, when properly environed, is the source of advantage to the individual as well as to the State, should be permitted an unrestricted and undirected development in the form of corporations. In this manner not only is the permanency of industries endangered, but the life of the State itself is placed in jeopardy.

There is but one conclusion to be drawn from such an analysis of corporations as has been suggested, and that is, that the present policy of government respecting them is unable to guard society from the evils which they engender. This is true because that policy rests on an erroneous theory as to their nature. It is incorrect for legislators to assume or for courts to allow, that the law of private property, which was developed when corporations in their modern social significance did not exist, should be applied to property assigned to corporate management. The true governmental policy must recognize an essential difference in businesses themselves, that some businesses may be properly organized as corporations and others not, and that all property invested in a business organized as a corporation should on that account be subjected to laws peculiarly adapted for its control. Thus a first step in a

feasible policy for the control of corporations, is to recognize that in a society rendered complex through the growth of great industries, the privileges of property as well as its duties, should depend on the manner in which property is used.

In order to present the suggestions that arise from the above analysis in concrete form, the following propositions are given, and it is believed that they outline the true policy of the government with regard to corporations. Nothing is said at the present time of the form of report which corporations should make, or the extent of the inspection that should be undertaken by public officials. The extent of the present claim is, that a business granted corporate privileges should be imposed with peculiar duties, and that the right to organize as a corporation should be determined not by the choice of individuals, but by the nature of the business in question.

The propositions are as follows:

First. The granting of corporate privileges should be limited to those businesses in which the interest of the public predominate over the interests of the individual incorporators.

Second. All businesses in which the interests of the public predominate over the interests of the individual incorporators should be obliged to assume corporate form.

Third. All corporations should be required to make such reports as will enable the government, acting under rules prescribed by law, to direct their policy and control their administration.

Fourth. All businesses other than those organized as corporations should be subjected to inquiry though not to control, the purpose of the inquiry being to

determine whether or not a business in question should be required to assume corporate form.

Discussion.

Mr. Foote: As my duties call me to contend somewhat with the questions presented by Professor Adams' paper, I wish to express, first, my satisfaction with the paper in its central thought and idea. I wish also to see that presentation of the subject take some definite form, and for that purpose, without knowing whether it is in accordance with your customs or not, I have drafted a resolution to this effect—

Resolved, First, that a committee be appointed to designate the divisions of accounts, and the items to be included in each, that should be kept by corporations performing quasi-public services.

Resolved, Second, that said divisions be so made that the effect of each essential economic factor will be shown, to the end that correct statistics may be obtained through a uniform method of accounting, as a basis for intelligent economic discussion and legislation.